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**OVERCOMING THE CHALLENGES OF MONEY TRANSFER TO
SOMALIA**

Transfer Galaxy AB

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ABSTRACT

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Name of thesis OVERCOMING THE CHALLENGES OF MONEY TRANSFER TO SOMALIA		
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<p>This thesis examines the challenges facing money transfer to Somalia and how to overcome them. Though a major contributor to economic growth in Somalia, money transfer business has several challenges ranging from security concerns, problems of lack of cooperation amongst money transfer agencies, difficulty faced by elderly customers in adapting to the modern use of online platforms, problems of insufficient liquidity to execute large transactions and the lack of necessary documentation to operate.</p> <p>The main aim of the work is to study the methods used to tackle the problems of money transfer to Somalia. The specific objectives are to identify the various means of money transfer to Somalia, investigate the difficulties faced by the transfer agencies and to propose better or more suitable and safe methods of carrying out smooth transactions.</p> <p>Relevant theories and concepts that explored the trends, current situation and difficulties associated with money transfer were used. These were obtained from available documentation, e-books, the works of other researchers and material from reliable online sources.</p> <p>Qualitative methods were employed for data collection in the form of interviews. Interviewees were people with four to twelve years of experience in remittance business. Data was collected, analyzed and discussed, and recommendations made to the commissioner.</p> <p>The Commissioner, Transfer Galaxy, provides instant and cash-free mobile money transfer services. The company offers mobile money transfer, online money transfer, finance, start up, remittances, and technology.</p>		
Key words Money transfer challenges, remittance, Somalia, Transfer Galaxy		

ABSTRACT

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1 INTRODUCTION

In many parts of the world today, international remittance markets have grown considerably. In Somalia, it has been particularly useful as the means to do national and international transfers. The majority of international money transfers to Somalia are carried out by Somalis living abroad to their families, friends and acquaintances back at home in Somalia. Money transfer to Somalia is faced with several challenges that have reduced the potential impact of this much needed service on the lives of Somalis and on the economy as a whole. This observation is what prompted the researcher to carry out this work.

The aim of this work is to study the methods used in tackling the problems of money transfer to Somalia. The objectives of this study are to identify the different means of money transfer; investigate the difficulties faced in the transfer of money and to suggest better security methods for smooth transactions.

The concepts that are examined in this study are about remittance. The theoretical part of this thesis will cover the current situation of money transfer to Somalia and how the difficulties associated with money transfer can be overcome. The theories and concepts integrated into this study were used to provide a suitable basis for this study. The concepts and theories are based on research work available documentation, books, e-books and material from credible online sources.

Qualitative methods were used in the collection of data for this research. This involved structured interviews that were carried out with workers of various remittance or money transfer companies. The interviews were carried out with the use of an interview guide, the data collected and analyzed. The interviews were done face to face by the researcher. The method of data collection was used because it gave the researcher the opportunity to probe for more information from the interviewees. The interview questions were formulated to avoid misleading and unethical questions. The commissioner, Transfer Galaxy, together with five other companies were interviewed for data collections. Data was analyzed and conclusions were drawn, and recommendations made to the commissioner.

The commissioner, Transfer Galaxy AB was founded in 2014 and it is based in Örebro, Sweden. The company was founded by a few friends. After being frustrated by the then difficult process of sending money home to their loved ones in Somalia, they decided to create their own money transfer company. Transfer Galaxy was born with the aim of democratizing international payments by making remittances cheaper, safer and smarter using innovative digital payment solutions. The company presently offers

several financial and technological services including; mobile money transfer, online money transfer, finance, start up, remittances, and technology.

2 COMMISSIONER

Transfer Galaxy AB was founded in 2014 and it is based in Örebro, Sweden. The company was founded by five Somali friends. The company presently has 37 employees including a CEO and a CCO. Transfer Galaxy has obtained loans from popular financial institutions to establish 24 branches in Europe. Money transfers can now be made to more countries in East Asia, the Middle East and more parts of Africa (Transfergalaxy news 2020.) After experiencing the frustration that was then caused by the difficult process of sending money home to their loved ones in Somalia, these 5 friends decided to come up with their own money transfer company. In addition to that, the fee they were required to pay was so high. It was then that the Swedish-based company called Transfer Galaxy was born with the aim of democratizing international payments by making remittances cheaper, safer and smarter using innovative digital payment solutions. Transfer Galaxy provides instant and cash-free mobile money transfer services. The company offers Mobile Money Transfer, Online Money Transfer, Finance, Start up, Remittances, and Technology. Transfer Galaxy raises 30M SEK to finance additional growth (The Paypers 2019).

Customer satisfaction is a major goal for Transfer Galaxy. The company works relentlessly towards making remittances cheaper, safer and smarter. Transfer Galaxy's goal is to make it easier and cheaper for people to send money to their loved ones making use of available modern technology. With the help of modern technology, this company can transfer money across the world within seconds straight to a mobile wallet while charging the lowest possible fee. Transfer Galaxy has decided to focus on providing their customers the flexibility to transfer cash on-line and offer remittal services from the all over the EU to seventeen countries, mainly in Africa and Asia. Since it is based in Sweden, it is required based on the current law to carry out due diligent checks of customer information in order to provide services (Transfergalaxy 2020)

Transfer Galaxy emphasises the security of their operations. To ensure the smooth running of its transactions, an account is created with a valid identification document and an update done on the customer's records. Transfer Galaxy also collects personal data from their users to fulfil their legal obligations. For the same reason, they may also get involved in processing customer data to analyze their business operations for the provision of their services. In the case where a user is displeased in relation to their services, the user files a written complaint to Transfer Galaxy's client support team. All the terms of operation and the agreement between the user and Transfer Galaxy are governed by Swedish law.

Any dispute, controversy or claim between a user and Transfer Galaxy is supposed to be settled by Swedish courts with the Stockholm District Court of first instance. However, currently, Transfer Galaxy still has some pending issues such as limited connection with malfunction or failure of intermediary parties' system or technical maintenance, updates or service to their systems. These challenges or limitations tend to delay their 24hours of delivery system. In addition, the company faces the problem of non-delivered messages and currency exchange rates. Transfer Galaxy is 100% an online platform, where users can sign in with their ID or bank ID. The company has several mobile wallet providers and cash pick up points, from which the user of the platform can chose. (Transfergalaxy 2020)

3 REMITTANCES

Remittance is a very common and globally recognized phenomenon of moving money from one place to another. Several banking sectors and other private institutions have been solely designed to cater to the need of money transfer, money exchange, and money receipt between a local sender and a non-local (Buencamino & Gorbunov 2002). Certain remittance networks such as Western Union have a physical existence in the form of regional offices, while others offer only trading and remittance network such as the Money Gram and Skrill network. The scarcity of many of the formal international remittance systems in places where there is no adequate infrastructure can be understood due to this fact. Apart from these formal remittance systems that exist today, there are several informal and less credited remittance systems, which have subsisted to exist for over a century now (Kosse & Vermeulen 2014).

3.1 Remittances to Somalia

The inflow of remittance started with the first migrants who often sent money with traveling friends and relatives. Remittances progressively increased as the number of migrants increased, and their earning power improved. Before the collapse of the military regime, another common means of remittance was the Franco Valuate (FV) system. Under the FV system, Somali workers located in the Gulf States bought consumer goods of high value and shipped them to their families back at home or they sent part of their wages home via Somali traders. In the first case the traders then took the proceeds of the sale of the goods and paid the laborers' relatives in local currency. (Maimbo 2006.)

Somalia is one of the poorest countries in the world and for many years, the country has suffered from internal conflict. Somalis have for a long time been involved in labor migration. The continuous fighting in Somalia between the different factions has contributed to the high rates of migration over the last three decades. There is an estimated of over 800,000 Somali migrants across the globe and these figures could be surpassed. Somalis are scattered across Europe and the United States and several other African states. The historical migration of Somalis outside the Horn of Africa has contributed to the development of money transfer systems. The Somali money transfer companies have functions similar to those of reputed companies like Western Union and MoneyGram, but because their offices and agents are dispersed throughout the country, they can send money to remote places that larger operations cannot reach (Yusuf 2015).

The Somali diaspora living and working abroad contribute to the national income of the country. They assist the Somali people in need back home as well as the recovery of the economy, which has been destroyed. In 2004, remittances sent by the Somali diaspora around the world was estimated at about one billion dollars, making Somalia the fourth most remittance-dependent country in the world (UNDP 2004). This includes remittances sent to families and other relatives, for humanitarian assistances and for investment in small and medium size enterprises. Recent research reports reveal that the Somalis residing in America are the highest contributors with an average remittance of \$3,800 per person annually. This money is a lifeline for thousands of families, who rely on remittances to get basic needs such as food and shelter, pay for education and health services, and sustain their small scaled businesses (Lindley 2007).

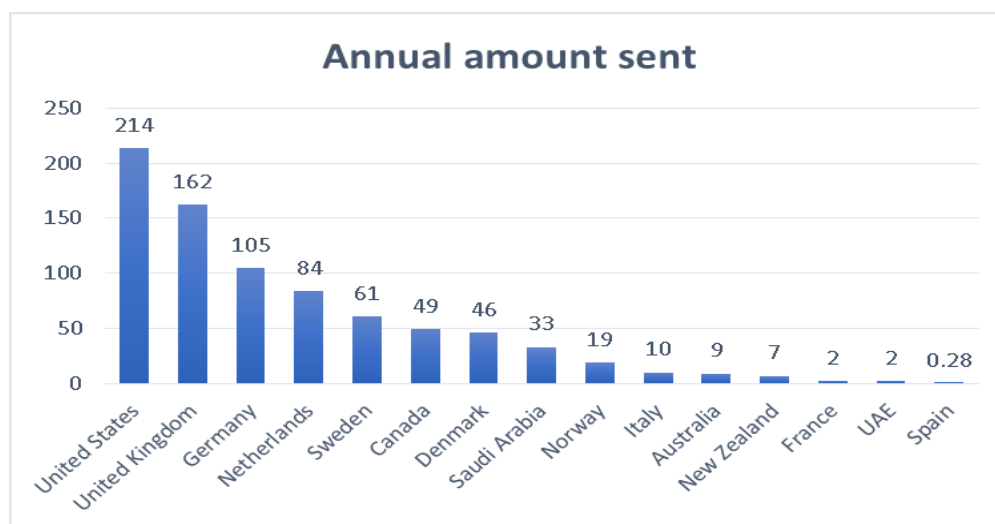


FIGURE 1. Annual Amount Sent in Million (Adapted from Pew Research Centre, 2013)

The figure above represents the amount of money sent to Somalia from different parts of the world. 23% of the Somali household incomes come from Somalis living and working abroad but this income is unequally distributed across the country (UNDP 2003; World Bank 2003). These remittances are used for expenditures on basic needs like food, housing, health services and education (2007). Remittances flow to Somalia totaled US\$ 1.4 to 2 billion in 2016. With a remittance to GDP ratio of 23%, Somalia is a highly remittance dependent country. Official Development Assistance (ODA) for Somalia is another key flow for Somalia, estimated at US\$ 1.3 billion in 2016 which is 21% of GDP (Lindley 2007).

Remittance companies have played a significant role within the Somali economy for several years, functioning effectively despite severe internal conflicts and the absence of a solid system of government. With the global financial regulations making the movement of money more difficult in order to counteract crime, Somali money transfer operators (MTOs) are facing an increasingly tougher challenge to retain direct access to banking services. Legal remittance flows persist because of non-public sector adaptation and initiative. There is an urgent need for governments and the private sector to find a workable way forward (Lindley & Mosley 2014).

3.2 Types of remittance in Somalia

At the basic level, remittance is done by hand delivery. This method is feasible depending on whether the migrant can make a return visit, or to get a trust-worthy individual to transport the money. The development of air transport, particularly in the northern part of Somalia, has eased accessibility between the main towns for purposes of trade and leisure. Travelling however, particularly from Europe and the USA still need substantial travel costs and are mostly undertaken by businessmen who want to gather socially (Ahmed 2000).

Remittances are also delivered by some travelers. Somalis, who go home during the summer holidays serve as an important means of providing remittance services. However, some people avoid transporting huge sums of money by hand for fear of robbery or increased security at airports since the 11th September 2001 terrorist attacks. There is little information about cash delivery by specialized agencies. In the 1990s, traders organized for remittances to be taken to towns in Somalia or to refugee camps through individual couriers. These arrangements, however, were way too informal and personalized (KPMG 2003). The transporting of cash continues to be common between Somalia and other countries for purposes of trade. Now, the existence remittance companies mean that there are safer ways of moving money from one place to another (Omer 2002).

There are the trade-based remittance systems. Gulf migrants have long financed the purchases of import–export traders, who used earnings from import sales in Somalia to pay remittances to families in local currency, often charging no commission (Ahmed 2000). This practice has been reinforced by strong links between traders and members of their clan. This practice was made formal for a period as the Franco Valuta (FV) system. (Menkhaus 2001.)

However, the International Monetary Fund (IMF) advised that FV system had inflationary effects, and it was abolished in 1982. The overall abolition of FV simply pushed remittance transfer and trade further into the informal economy. The method of remitting money via a trader, shopkeeper or travel agent who has other business with Somalia is still common among others in the United Arab Emirates and Saudi Arabia. The main channel used for remittances nowadays are committed Somali remittance companies (Gundel 2003).

The Somali rendering of Hawala is Hawilaad. Hawala is a system of money transfer that is also practiced in the South Asia and the Middle East. In this method, the migrant hands money to an agent who in turn, instructs a second agent to pay the money. Some suggest that this system only began or became significant in the 1980s, after FV was banned (Gundel 2003). After the collapse of the government, the radio system, which was the most used means of communication went out of control. It became easy to use the radio to relay information nationwide. Radio stations received cash and communicated with agents. These agents were usually those who represented clans. The radio relayed this information for a fee. Radio communication was very important in the 1990s. However, telephone networks were later made available in most parts of the country. (KPMG 2003.)

In the Hawilaad sector, the people involved often settle their accounts via trade transactions. By operating hawala principles, the transfer is dependent on communication between agents, backed by trust, rather than dependent on the shipping and selling of commodities, a longer process. Hawilaad-type systems are common for domestic transfers. Workers can send money from cities to families in remote regions for a small commission and village traders can avoid the risk of highway robbery on the way home (Omer 2002). From 1995 many Hawilaad agents have been absorbed into Somali remittance companies due to their affiliation to a clan and sometimes due to the need to supplement communications technology. (KPMG 2003; Menkhaus 2001.)

3.3 Remittance institutions

There are a number of remittance companies operating in Somalia who have operations worldwide. Though the owners and origins of these companies are from Somalia, most of them have operations in the United States, in the United Kingdom, in Europe and in East Africa. Most of the time, the owners are heavily involved in the management of the operations, which are conducted through agents – either

as branches owned by the company or agencies franchised to independent agents. International operators have set up their headquarters or clearing centers in strategic locations worldwide. In this way, most of the operations have been decentralized at the country level. (UNDP 2003.) Most operators are shown in table 1.

Name	Headquarters
Amal Express	Dubai, United Arab Emirates
Al-Mustaqbal	Dubai, United Arab Emirates
Barwaqo Financial Services	Dubai, United Arab Emirates
Cidgal	Djibouti, Republic of Djibouti
Dalsan	Nairobi, Kenya
Dahabshiil	Hargeisa, Somalia
Global	Dubai, United Arab Emirates
Kaah Express	Nairobi, Kenya
Sahaan	Dubai, United Arab Emirates
Salama Money Express	London, United Kingdom
Towfiq	Dubai, United Arab Emirates

TABLE 1. Report on Supporting Systems and Procedures for the Effective Regulation and Monitoring of Somali Remittance Companies (Hawala), Omer, A. A. (adapted from United Nations Development Programme Somalia, 2002.)

Loans from remittance companies for business purposes do not seem viable even with collateral. Businesses therefore prefer the direct involvement of an investor in the operations they are financing. A few times short-term trade credit with fixed assets as security can be obtained from the main remittance companies. Even when this happens, the lack of legal obligations and regulatory framework from the government makes lending risky. This creates the need to re-establish conventional banks. The majority of the remittance companies appear to have started with management, workforce, agent network and customers in clans (Bradbury 2002a). This has diversified their investments and customer base and has made them more able to work throughout Somalia (Marchal 2000).

Although many companies possess a huge number of shareholders from various clans and localities, the business is effectively controlled and managed by five or fewer owners (KPMG 2003). Regular customers may phone the company with their bank details to make a transfer rather than go to the office.

The majority of the companies make money available for collection between 1 to 24 hours. Others offer an express service for collection within the hour while others offer online transfer tracking. Collectively, the remittance companies cover almost all towns and villages in Somalia (Omer 2002). The totality of transactions by remittance companies are generally small, even though there are also many larger transactions for commercial, investment and development projects (IRIN, 2003). The amount charged for transfers among Somali-owned remittance companies is modest. Typically, a 3–7 per cent fee was charged on dollar transfers in the late 1990s. For example, for transfers to Somalia under USD 1,000, Dahabshiil charges 5 per cent. (Ahmed 2000.)

What makes the Somali remittance companies different from other money transfer operators is the cost of small transactions. The total cost of remittance transfer includes often hidden costs in getting the money from the distribution point in the destination country to the recipient. Recipients have to travel considerable distances to reach distribution points in most countries. Remittance companies have very widespread coverage in Somalia, so getting the money to the recipient is shorter and cheaper. All the agent needs to do is to deposit the cash received in a local bank account. Then, the money is transferred to a central company account, usually in Djibouti or Dubai. Payment instructions are relayed by the agent to a clearing house, which in turn, contacts their agent closest to the recipient. The latter notifies the recipient (Omer 2002). Various communication technologies such as HF radio, satellite telephone, fax, email or dedicated company software may be used. The central location of the remittance company is the clearing house and it is usually the same location as the headquarters (Ahmed 2000; Omer 2002).

Remittance companies depend on a network of branches or franchises. Most often they only have a few employees that are on salary. The others are agents who usually receive 30 per cent of transfer fees (Omer 2002). These agents are responsible for working in accordance to national regulations and the establishment, management and overheads of their premises, although during crises the remittance company may offer legal or other support (Omer 2002). Some companies are using new technology to meet new regulatory requirements. Dahabshiil is planning to introduce proprietary software so that its agents provide near real time transfers of funds and make reporting requirements mandatory (IRIN 2003). Also, some large companies are getting new software to check for customer international lists of suspicious persons (KPMG 2003; Omer & El Koury 2004).

3.4 Current situation of money transfer to Somalia

Somalia, among many African countries has benefitted from remittance from the population in the diaspora. Two main factors boosted the existence of remittance in Somalia. Firstly, the speedy growth of a migrant workforce from the early 1970s and secondly, the monetary policy that is the existence of an unrealistic exchange rate that gave birth to a black market, which was often managed by state officials and their associated middlemen. (Ibrahim 2018.)

There are about fourteen Somali companies offering money transfer services. Currently, Somalia has new international money transfer companies coming into its money transfer industry. Somali operators fully rely on Somali agents and sub-agents which they appoint in some 40 countries worldwide. These companies provide a wide range of services that make them quasi-banking institutions in Somalia. They are however unable to provide full banking services. They carry out several important roles with operations that include traditional remittance services by the transfer of small amounts of money sent by migrants to their families and investments both regularly and intermittently, savings and money transfer through savings and transactional accounts for business and private clients, they transport or move cash from one location to another location with very low commissions. (Ibrahim 2018.)

The remittance companies in Somalia go through a number of challenges. The services they provide are considered to create a higher money laundering or terrorism financing risk than most other sectors. Because they operate outside the conventional banking system there is a potential risk of them not abiding by sanctioned law. The informal nature of remittance businesses and their ability to send money to foreign regions and countries with limited or no financial infrastructures, potentially weakens anti-money laundering and counter terrorism financing controls which makes them vulnerable to misuse by terrorist groups and other criminals. (Ibrahim 2018.)

Remittances to Somalia risk being caught in the tighter regulation of financial flows. This aims at preventing money laundering and to block flows to terrorist activity groups (Lindley & Mosley 2014). Somalia has no formal banking industry, most of the diaspora use remittance services as a result. Technology makes that doable. Remittance companies rely on global banks to route the money, and these banks must comply with regulations on money laundering and the financing of crime and terrorism. The existence of remittance economy in Somalia was boosted by two main factors which are migration from Somalia from the 1970s and the unrealistic commercial enterprise and monetary policy (Ibrahim 2018).

In addition to money transfer, remittance companies offer savings and transactional accounts for business and private clients for safe keeping and savings toward projects and investments. These companies offer another important service which is the transportation of large sums of money from one locality to another. The increasing business environment in Somalia offers various opportunities to native Somalis, diaspora Somalis and foreign investors (World Bank 2016).

3.5 Role of remittances to Somalis

Remittances are a lifeline for many Somalis. Somalia has become particularly dependent on remittances due to conflict, resource scarcity, and economic disruptions. Money from the diaspora can have a tremendous impact on entire communities. This money is sometimes shared to additional community members through loans and charity. More often than not, remittances contribute to municipal or regional development by assisting in projects such as the development of water-filtration systems, payment of teachers' salaries, and construction of schools and hospitals. A study commissioned by the Food and Agriculture Organization's (FAO) Food Security and Nutrition Analysis Unit for Somalia (FSNAU) found out that one-third of remittance recipients in Somalia would be unable to afford food, medicine and school fees without their remittances. (Oroczo & Yansura 2013.)

The same study found out that households receiving remittances are more likely to support poorer families than households not receiving remittances. Remittances have assisted families and individuals to take care of their basic needs as well as investing in small businesses, sending their children to school and investing in their communities. Remittances to women have helped them to make investments in education, health and nutrition. Continuous support from the Somali diaspora is necessary for the country to emerge from its extended humanitarian emergency and political crisis to lay the foundations for its long-term development (Oroczo & Yansura 2013).

Both men and women send money back home as evidenced by the case of Somali women diaspora in Norway, who are increasingly important contributors. Remittances are good and have a significant social bond. Though remittances may be a lifeline, it is at the same time the glue that bonds together families who are physically separated by distance. Remittances result in the solidification of this transnational community that are present in various localities. The inability or failure to remit may lead to the weakening of family and social ties which can sow the seed of conflict as well as the estrangement of the sender (Hammond 2013).

4 CHALLENGES FACED BY REMITTANCES AND DEVELOPMENT OF SOLUTIONS

This section examines the difficulties that remittance companies face in their day-to-day operations, the solutions that have been developed to deal with these difficulties and the advantages and disadvantages of remittance in general and to the Somali economy in particular. In addition, this section also speaks of cryptocurrencies and how they have affected the remittance industry.

4.1 Challenges faced by remittance companies

Remittances to Somalia are provided by the small and midsize Somali-diaspora, especially the Somali-American MTOs (Money Transfer Operators). They noted that basic cash-to-cash services are offered by these businesses at a relatively low cost. Because of the unique challenges faced by these MTOs, they have developed ways of sending money to Somalia, a country faced with security challenges, weak infrastructure, and minimal regulation. Challenging regulatory environment, particularly with respect to anti-money laundering and combating the financing of terrorism requirements are faced by the Somali-American remittance companies. These MTOs have sought to conform with the regulations in place and have made significant steps toward reducing risk through monitoring, the keeping of records and the training of agents. Despite these efforts, the case scenario of the Somali-American MTOs are often viewed as representing a high risk for illegal activities. Most banks have shut down MTOs accounts because of this, making it difficult for MTOs to continue their operations. Remittances to Somalia were disrupted as a result. The total remittance disruption by these banks' closures would put more Somali lives at risk and interrupt economic development in the country. (Orocz & Yansura 2013.)

Operators in Somalia depend entirely on their agents and sub-agents that are based in 40 countries worldwide. Somalia's government does not have the capability to participate in certification schemes or to produce legitimate documentation that may alter businesses to sell merchandise globally. Firms instead realize unconventional, and often costly workarounds. Somalia is not a member of any regional economic blocs, and it has few formal trade deals with different nations. The United States of America and the EEC presently do not have any trade agreements with Somalia, and the country is therefore not a member of the Global Trade Organization. The lack of integrity increases the difficulties native firms face when competing regionally and internationally. Somali business owners are looking to new technologies to improve their profits in an insecure market (Ibrahim 2018).

With all the limitations associated with the lack of banking institutions and of expertise, these companies deliver a wide variety of services that make them pseudo-banking institutions in Somalia. However, they do not have the ability to provide all banking services. The services provided by remitter area unit is often viewed as one that creates the risk of funding the next terrorist act. The challenge of regulation faced by remittance companies is of two types: the challenge of regulating the remittance sector by regulators and adherence to regulations by remittance companies. Regulators face the challenge of implementing a regulatory regime that will balance preventative measures without the unnecessary restriction of the flow of remittances. Too much regulation could lead to remittance companies going underground to carry out their businesses, while under-regulation will provide a means for criminals to make use of the remittance system to move their illegally obtained earnings or to finance criminal activity. Somali remittance companies operating in Somalia are not regulated and need to apply other procedures in the area of customer due diligence. Countries in which the Somali remittance companies operate require various levels of disclosure about ownership and organizational structure (Ibrahim 2018).

Somalia is yet to have effective banking and regulatory financial institutions that can provide the services required by individuals and private businesses. Multiple risk factors which are inevitable in an emerging economy have led to a reduction in internal growth and investment. However, remittance companies can act not only as money-transfer agents, but also as channels for trade and quasi-banks. The maintenance of the cash transfer method by the Somali payment firms is vital, but not easy. For those without, it may be viewed as a simplistic process of transferring value from A to B, while to others it may be seen as a dark system where money changes hands secretly under the table and messages are passed on orally, without leaving any trace. In fact, the business is a very sophisticated one, which must overcome every day's technical, regulatory, security, cultural, institutional, logistical and managerial challenges, in an environment which is not hospitable (Staff 2018).

According to Ibrahim (2018), the non-bank financial entities in Somalia have played a critical role in an economy where the state has been absent or weak. The successful industry has brought money transfer solutions to locals, Somalis living abroad and investors who need of money transfer services. The main responsibility of the Central Bank is the formulation and implementation of monetary policies, banking and credit, to ensure the growth of the national economy of Somalia in a balanced manner. The Central Bank of Somalia (CBS) is primarily answerable for providing payments and banking services to the government and different stakeholders. The scale and nature of remittances has led to a rise in many public policy problems at each national and international level. Remittances create a colossal contribution to reducing poverty and funding economic development.

4.2 Development of solutions and implementation

According to Mohammed Yusuf (2015), more effort is needed to revive and strengthen the banking system of Somalia in order to help reconstruct the economy and the suffering of the population. The CBS continues to advance efforts to improve its capacity to license, regulate and supervise financial institutions. With the support of the World Bank, a new payment system has been launched and the CBS has reached a general agreement with all major financial institutions to create the first Somali inter-bank payment system, with a view to improve financial intermediation.

According to the African Development Bank Group (2017), the CBS will help the country to alleviate these risks by helping with the reconstruction and setting of new infrastructures. Concerning money laundering and threats to remittance flows, the CBS has partnered with the World Bank and prepared regulations pertaining to anti-money laundering and combating financing of terrorism. A third-party trusted agent has also been appointed to assist the CBS in better monitoring the remittance industry. Decisions made by the third party, that is the Financial Stability Board (FSB) on remittance service providers' access to banking services in March 2018, made many recommendations and suggested some solutions that were implemented in some countries which could also be implemented in Somalia to facilitate and secure money transfer. These solutions include supporting the measures to standardize financial communication between the banking and remittance sectors, supporting actions by the remittance sector, such as setting regulations to positively change banks' risk perception of the sector. It is suggested that employment on these best practices continue, with a view to pilot it at least at a domestic level. The African Development Bank also suggested the implementation of the Financial Action Task Force (FATF), which is an international body that regulates and oversees the remittance sector. It does this by assessing the risks associated with remittance, ensuring that remittance and their agents are licensed or registered, and their agents are either licensed or registered and apply sanctions for violation of established obligations.

Apart from the suggested action by the international body, suggestions were also made concerning national authorities. National authorities should be able to coordinate activities and share information among supervisory, financial intelligence, law enforcement and other authorities responsible for the oversight of remittance activities. National authorities could also consider methods that enable them to collect data from the remittance industry, to properly supervise both the remittance sector as a whole and remittance providers individually. Furthermore, national authorities should consider promoting new technologies that support the identification of consumers. Technologies such as e-ID and those that

facilitate the creation of e-ID platforms as well as access to these platforms by financial institutions might reduce the risk associated with remittance (FATF 2012).

4.3 Emerging trends in remittance industry: cryptocurrencies

Cryptocurrencies are digital assets in which digital encryption is used to secure and verify transactions online. The most popular cryptocurrencies include Bitcoin, Peercoin, Ether, and IOTA. Cryptocurrencies, the block chain and digital currencies are generally evolving fast, with an increase in the number of users. The persistent problem of early stage funding is seemingly solved. Cryptocurrencies are a real threat to the current market in terms of liquidity, market capitalization and convertibility though it holds a great promise of decentralized system (Valich 2017).

The system is made vulnerable by the fact that cryptos operate outside the financial and government institutions. The system is vulnerable to malicious activities such as terrorism funding due to the anonymity of users (Valich 2017). Most of the transactions done are on centralized exchanges, exposing it to fraud and hacking though the system is decentralized and trustless. It is nonetheless a challenging solution due to the advanced technology involved. (Lulu 2017)

Cryptocurrencies are a formidable alternative for people who are involved in sending and receiving remittances. This is because cryptocurrencies have extremely low transactional fees in comparison with remittances. The global cost of remittance is fairly the same for specific amounts of money. Although transactions in crypto currency are generally low, they might even be lower depending on the region of the world where the transaction is carried out. Cryptocurrencies also make it possible to complete a transaction in a few minutes instead of days as sometimes is the case with remittances (Research and Markets 2018).

4.4 The influence of remittance on terrorism

In order to assert political dominion, individuals and subnational groups can resort to terrorism. With rather modest resources, especially in relation to the governments that they confront, terrorists may create sufficient anxiety in a targeted audience to pressure a government to concede to their demands. Terrorist groups and their attacks can be financed in myriad ways, including by paid ransoms, diaspora

contributions, state sponsorship, robberies, other illicit activities, and remittances. Remittances to developing countries are estimated to have reached \$372 billion in 2011 and exceed official development assistance (ODA) and are beginning to rival foreign direct investment (FDI) as a financial inflow. The concern is that some of these remittances may flow to terrorists whose political agenda may or may not be agreeable to those sending remittances. In developed countries, these remittances may also fund terrorism (World Bank 2012a).

One of the fears after the closure of Al-Barakaat was the beginning of a crackdown on all Somali remittance companies. Prior to the September 11th attack on World Trade Center in the US, regulation of money transmitters was without much control, even in many Western countries. Globally, the regulation of all financial services has increased since the 11.09.2001 terrorist attacks at the recommendation of the intergovernmental Financial Action Task Force (FATF). Many countries have set up or reinforced systems for registering or licensing money transmitters and have tightened-up reporting requirements and other forms of state monitoring. Even in the United Arab Emirates (UAE), which formerly was a blissful place for unmonitored economic activity, registration is required for Somali remittance companies (Eldin Eltayeb 2004). In some countries of the EU, Somali remittance companies face difficulties to operate formally. In the case of the UK, because barriers to registration are few, Somali remittance companies are required to register with tax authorities and with the financial regulatory body (UNDP 2003).

Remittance companies are currently moving towards registration and compliance in countries where this is an option and commercially viable. Somali remittance companies may go out of business or operate illegally in countries where it is harder to operate legally. It is, however, not likely that remittances will cease from these countries given that new systems will be created, or old ones will be revived (Lindley 2002; 2004). Some vital partnerships have seen the light. An important partnership was sealed in December 2004 between Dahabshiil and Travelex Money Transfer, to ease remittance transfers from the Netherlands, a country where it is hard for Somali companies to obtain a license, to Dahabshiil agents in Ethiopia, Somalia and Djibouti (Dahabshiil 2017).

The absence of a financial regulatory authority in Somalia, the remittance companies thus have no one to represent their interests in an international financial forum such as the FATF (Omer & El Koury 2004). To cope with this major void, the main companies, with the assistance of the UNDP, launched the Somali Financial Services Association (SFSA) in December 2003. It had a double mandate, firstly to act as a regulatory body until the establishment of a central financial authority in Somalia and to

represent the interest of its member. Dahabshiil, the largest remittance company in Somalia is no longer a member of the SFSA for reasons that are not known (Omer & El Koury 2004).

4.5 How remittance has boosted the Somali economy

The role of remittance in Somalia is extremely important towards the economic regeneration of the country by helping drive the economic engine through cash circulation and large transfers which serve to import goods, invest and reconstruct and also through smaller amounts of remittance for individuals sent by friends and family who reside in developed countries for livelihood and security. Both motives of transfer services provided by various remittance companies have been indispensable for family survival or household maintenance, acquisition of basic social services and small businesses that all depend on speedy and reliable transfers in and out of the country for import and export payments (UN-OHRLLS 2013).

Remittance money in Somalia has obviously played a positive role towards economic recovery and living standards and also in reducing conflict and promoting stability. With the current situation in Somalia, the banking legislation has not yet been passed by the parliament due to some resistance coming from the part of the remittance companies that savor their extensive influence created by the void of conventional banks. These remittance companies enjoy their informal contributions to trade, investment, internal or local transfers, international payments for aid agencies and financial intermediation. (OXFAM 2013).

4.6 International money transfers agencies operating in Somalia

Domestically, Somali MTOs continue to be active throughout the country, with the largest enterprises having the most extensive networks; Dahabshiil and Amal both have large domestic networks. Dahabshiil is the largest remittance company that transfers money from foreign countries to Somalia. (OXFAM 2013). However, with mobile network coverage very high in Somalia, covering virtually the entire country, the expansion of MMT platforms has increased dramatically in recent years. By far the largest actor in the provision of mobile money domestically is the Hormud-Telesom-Golis integrated platform, which covers the whole country. Mobile money is now competing with or superseding hawala-based transfers in many geographic areas and among specific population sub-groups.

In Somaliland, for example, Telesom is reported to have one million subscribers and 85 per cent of the mobile phone market. Of these, 40 per cent are reported to be active users of the Telesom MMT platform, known as Zaad. Although MMT platforms are useful for sending money domestically, they are not yet a solution for people wanting to send remittances from abroad to a mobile platform in Somalia/Somaliland, although this may be changing quickly (Majid, 2007). The three largest remittance companies operating and serving Somalia are Dahabshiil, Amal Express and Qaran Express (Oxfam 2013).

Dahabshiil's mobile money platform, e-dahab, is relatively new and developing slowly. Dahabshiil has not yet made a formal link to the dominant MMT platform, so there is no seamless connectivity between external and internal flows of money. Some MTOs are reported to be developing links to the major MMT platforms in Somalia so that remittances can be sent directly from diaspora locations to domestic mobile phone accounts; Hormud's MTO branch, known as Taaj, is expanding and does offer seamless transfer of money from international agents to domestic phone accounts but, as mentioned above, Dahabshiil is still considered the dominant platform for international transfers (Iazzolino 2016).

4.7 Disadvantages of remittance

In as much as remittances are an important lifeline in many developing nations, they can also create a dependency on outside flows of capital instead of aiding developing countries to create sustainable local economies. A country will be dependent on the global economy staying healthy the more it depends on inflows from remittances (Radcliffe 2019).

Income from remittances cannot be a large enough substitute for well-targeted overseas aid and private investment for infrastructure. Moreover, some countries are geographically isolated with poor transport networks which gives a lesser opportunity for outward migration and remittance inflows (Riley 2018).

The pursuit of remittance money has the ability to boost a massive migration of workers giving that individuals who receive remittance money believe they would be better off moving to developed countries rather than staying in their home country. This can cause a negative impact on the long run, a phenomenon known as "brain drain", whereby a population is filled with people outside the labor market range (UK Essays 2018).

4.8 Difference between Remittance and Official Money Transfer Systems

Remittances are appealing due to the difference in structure and its demarcation at various domain to be one of the most preferred money transfer systems for many immigrants; the most significant for the money senders being the low interest rates and minimal charges applied to the money sent through remittance (Passas 2005.) On the other hand, the infrastructure of banks is very organized, their employees are well-qualified and receive higher salaries than the ones working in the remittance system, and the money been received is insured. (Maimbo 2004.)

Though the well-structured banking system is an advantage, it makes expansion difficult and costly. It will take rigorous planning and investment analyzing for a bank to open its branch office. The expansion for the remittance network-based system does not require intense planning, as it is based on association and trust between different parties. The remittance system operates in regions due to this major reason since there is no existence of any other money transfer or remittance receiving systems. In countries like Somalia, remittances do not stand out as a cheap system, but it is the only means through which most people receive money. (Lindley 2005.)

According to Maimbo (2003), many formal money transfer systems have only a few offices in the slum areas of Africa and Asia the reason why many regions are void of any trustable money receiving system. Many remittance officers offer free home delivery of cash to the designated person of the recipient country with the implication that the customer does not have to go to the bank, but the bank comes to the customer. Efforts have been made by many banks to set up their ATMs in remote areas so that they can withdraw money directly from their accounts, credited by their sons, daughter, or other family members from a foreign country. The lack of incentives and turnover rate resulted in a system collapse at various regions across Africa (Passas 2005). The remittance system differs from the official money transfer systems from a regulatory perspective as well. The money transferred through the remittance system is not taxable, as there is no trace of the money been sent in the official records. (El-Qorchi, Maimbo & Wilson 2003.)

5 METHODS EMPLOYED IN THIS RESEARCH

The qualitative approach was employed for the empirical part of the study using interviews. Six companies including the commissioner that are involved with remittance to Somalia were interviewed. Data received from the interviews was recorded and analyzed. Recommendations were made to the commissioner based on the results of the analysis and conclusions were drawn. The interviews were carried out by the researcher in a face to face manner and were recorded.

5.1 Qualitative research method

Qualitative research is a type of social science research that gathers and works with non-numerical data and seeks to interpret meaning from such data which aids in the understanding of social life through the study of targeted populations or places. The qualitative research technique is designed to unveil the meaning that informs the action or outcomes that are usually measured by quantitative research. (Crossman 2019.)

The qualitative research method applies to a whole set of research approaches, methodologies, techniques, tools and philosophies. The qualitative research method is used to explore, describe and explain phenomena in their natural setting in a context which is rich, detailed and individualized. The qualitative methodology is generally associated with interpretive epistemology and it is generally used to refer to forms of data collection and analysis which rely on understanding social phenomena with emphasis on shared meaning. It focuses on how small groups or individuals interact, with more emphasis placed on the quality of interactions than on their quantification. Methods used in qualitative research include observation, focus groups, in-depth interviews, case studies, the study of documents and applied research (Amungwa 2013).

5.2 Reliability, validity and generalizability.

Validity refers to the property of research instruments to measure with precision, accuracy and relevance to what they are supposed to measure. It also refers to the ability to produce research findings that agree with theoretical or conceptual values. Validity reflects the quality of indicators or instrument. Validity

in data collection implies that the findings are a true representation of the phenomenon being measured (Henrichsen, Smith & Baker 1997).

Reliability refers to consistency in measurement over several repetitions. This implies that if the same study is repeated several times and the same results achieved, the research measure is said to have reliability, in which case the data is consistent. A study is said to be reliable if different researchers carry out the same research and have similar results (Dudoskiy 2019).

Generalizability also known as external validity, is the degree to which the results of a research can be applied in other settings. Generalizability needs information from internal validity as well as assessment whether the results of a study can be applied to a given group. Factors that are considered in making this assessment include demographic and clinical characteristics of participants, settings of the study, and exposure. (Shantikumar 2018).

For this research validity attests that the data obtained is a true representation of the facts under investigation. It also shows that the interview method is an adequate tool for obtaining relevant data. Reliability for this thesis would mean that the results obtained for this research would be the same result obtained if someone else carried out the research. Generalizability for this thesis means that the results obtained from data analysis are true for another group to an extent.

6 PRESENTATION OF FINDINGS

This research made use of relevant qualitative data obtained from interviews carried out with staff of six different remittance companies. These interviews were carried out by means of technology with the interviewees and were carried out with the use of an interview guide (see Appendix). The interview guide was made up of ten questions that were aimed at obtaining data on the use and operation of remittance services, the importance of these services, security of remittance platforms, the laws governing remittance operations at the national and international level, the challenges faced by remittance companies and proposed solutions, as well as the future of remittance services in terms of continuity of usage. Companies targeted for this study were: Western Union, Taaj Money Transfer, Guulpay Online Service Company, Dahabshiil Money Transfer, Transfer Galaxy and Amal Express. The interviews were recorded. This chapter presents the analysis of data obtained between the 6th of January 2020 and the 19th of March 2020, and the discussion.

6.1 Companies Interviewed

The interviewees selected for the study were staff that are directly concerned with remittance services in their companies. They comprised of a CEO, a marketing officer and transfer agents.

Transfer Galaxy is a remittance company based in Örebro, Sweden. It provides mobile money transfer, online money transfer, finance, startup, remittances and technology services to its customers who can send money to 45 countries worldwide. Its online platform is operational for 24 hours a day for money transfer. The interviewee for this research has been working with Transfer Galaxy since its inception in 2014. This was the first interview; it was carried out on the 6th of January 2020 and it lasted 6 minutes 42 seconds.

Taaj Money Transfer is a worldwide money transfer company with operations in many countries and interlink existing payment service institutions throughout the world. It provides online remittance services to its customers. The interviewee for this research has worked with this company since 2016 and had a total of four years of experience in remittance business. This interview was carried out on the 14th of January 2020 and it lasted 4 minutes 38 seconds.

The third interview was conducted at Guulpay Online Service company. It is a payment service provider that provides remittance services to its customers on a daily basis. Guulpay provides online and offline money transfer services that allow their customers to either come in person to their agencies and carry out transactions at the payment terminal or send money online. The interviewee for this research has worked in remittance business since 2011. This interview was carried out on the 20th of January 2020 and it lasted 08 minutes 12 seconds.

Dahabshiil Money Transfer is an international money transfer company. Dahabshiil has a branch in Dhusamareeb, Somalia. In addition to the money transfer services, there is also Dahabshiil banking branch in Dhusamareeb that provides banking services to Dhusamareeb and its suburbs. The interviewee has 10 years of experience in remittance business. This interview was carried out on the 11th of March 2020 and it lasted 09 minutes 12 seconds.

Amal Express is a Somali remittance company. Amal has a branch in UK. The majority of its customers are of Somali and African origin. The interviewee has in total 12 years of working experience in remittance business; 5 years in Somalia and 7 years obtained in the UK. This interview was carried out on the 18th of March 2020 and it lasted 09 minutes 32 seconds.

Western Union is a money transfer company with a branch in Helsinki. It provides online remittance services to its customers. The interviewee has over 10 years of experience in remittance business. This interview was carried out on the 19th of March 2020 and it lasted 13 minutes 14 seconds

6.2 Operation of money transfer services

Data obtained for this research showed that all six money transfer companies carry out online transfer services. However, two of the companies studied offer both online and offline services, where the customer comes to carry out transactions at a physical counter. Also, apart from money transfer, 2 of the companies said they offer other financial services such as banking and financial startup financing as well as technology services. Data obtained on the operation of services for the six companies studied reveal that the operations of money transfer services varied slightly between the companies studied. Hawalas is one of the methods used in money transfer services because it is flexible and easier to set up, and also easily used by people in areas where remittance services are not readily available. The operating of Hawalas as explained by one of the interviewees

Hawala is a means transferring money without any physical money actually moving. We operate on trust and we can reach places where other remittance companies cannot reach. You will hardly find buildings and expensive infrastructures and our service points can easily be opened or relocated if there is conflict or disaster. A Hawala agent can be a customer of a particular bank.

The major differences between online remittance services and money transfer services carried out at a transfer terminal are that, online remittance services are faster, and time saving, more convenient because the customer can carry out transactions from the comfort of their homes or workplaces. Customers do not have to displace themselves during working hours and stand in queues.

6.3 Security measures put in place to secure money transfer services

Various security measures have been put in place by the Money Transfer companies to ensure security of their services and their customers' information. These measures include strict policies and procedures when it comes to sending and receiving money, like customers having to bring a valid passport or ID and has to give the agent their personal details like the phone number and their address when sending money. Agents are obliged to attend yearly courses held by the company to build their skills and know their customers well. For a company that falls under the governing authority of the UK, which is part of the EU, the company complies with UK regulations, and are regulated by FSA and follow the guidance of Her Majesty's Revenue and Custom (HMRC). Also, there is a database which allows staff to check if the customer's name is in the list of anti-money laundry or sanction list. Another company requests proof of identity because not all IDs are acceptable. In addition, other details like the customer's address, bank details and source of income are collected. Security measures in line with the EU money laundering and FSA are also used.

The above information therefore reveals that all six companies are required to adopt measures to ensure the security of their services and compliance to anti-terrorism and anti-money laundering regulations. One of the interviewees went on to explain how this works

We also use a system called KYC – know your customer.
We also check if the sender and the receiver's names are on the PEP list (political exposed list). If their name is not there, we proceed into transaction.
The online process is quite same system as on-board process. It just differs that the customer does the whole process on his own.

But I would say the main difference is that the agent is the last person who confirms the whole process of registering and sending, after the customer did everything on his own.

We also check the source of income from the sender and the relationship between the recipient and the sender and also the purpose of sending that money.

Some carry out a system that requires customers fill in their details online, the system is designed the final confirmation of the transaction is done by an agent. For security reasons, the companies commonly request valid identification documents, collect personal details from the customers such as their home address, source of income, and in cases where a large sum is to be transferred, one of the companies go ahead to ask random questions with the aim of knowing more about the customer. Internal training is carried out by some companies to ensure the agents possess up-to-date skills and knowledge of the regulations.

One of the companies has a branch located in an area of little government intervention and has a unique situation.

Our branch is located in central part of Somalia. There are no effective government here and the administration may change hands anytime soon. Central government does not control here and thus the security issues are mostly handled in our headquarter in Mogadishu. We send money using web browser and it is very normal that the system rejects to send particular remittance due to a barred name or other security reasons.

We have regular customers and we know most of them very well, but we also need to have some extra precautions in place. In most cases customers receive their money through mobile phones and you have to go through difficult procedure to get mobile phone number. Thus, the receiver is already registered. If the recipient does not have mobile number, then he must come with known person to clarify his identity.

Over 90% of our customers are regular recipients who receive money for living from their relatives living abroad. Mostly between 100 and 500 dollars. Therefore, no need to check identity every time.

In the case of customers sending large amounts of money, we have to check thoroughly according to our headquarter guidelines.

6.4 International regulations governing money transfer companies

All the companies that were interviewed face the same regulations. Money transfer to Somalia is governed by several national and international level regulations. The various regulations governing money transfer from the six companies interviewed include the regulatory bodies that govern money transfer to Somalia which are the FSA, HMRC for UK based companies, and also the FATF' regulations. According to one of the interviewees, regulations in the EU are most strict than in the Middle East and in the UK. He added that European Union countries use lists in which they can check companies that are in the sending money sanction list. On the other hand, the non-European countries use their own system to handle the above-mentioned issues, but there is direct cooperation between the various agencies, which can be exchanged in the event of suspicious transactions.

Another interviewee said that the governments of some countries are planning to do away with remittances or to integrate remittances in the banking sector. Two interviewees mentioned that in Somalia there are fewer regulations and the regulatory body doesn't have much power to limit remittance activities. The body mostly ensures that the activities of remittance companies should be endorsed in parliament. The regulatory body also tries to defend the integrity of these companies that are often accused of being used to sponsor terrorism. These regulations are presented in an agreement on online remittance platforms and the customers are required to agree to the regulations before their transactions are processed.

6.5 Finnish government regulations governing remittance services

Remittance companies have agents all over the globe. In Finland, a few Somalis are involved in remittance. According to one of the interviewees, the Finnish government has put in place several regulations that guide the operation of money transfer companies and remittance agents. The laws put in place demand that, people who have received remittance licenses in Finland must adhere to the rules and regulations of European Union about remittances and also introduce anti-money laundering systems that clearly explain the European Union remittance policies and that of Finland. Also, different yearly reports are sent to the Finnish Financial Supervisory Authority about the rules of sending money and risk managements. If there are suspicious activities of money movement, the Finish Security Intelligence Agency is alerted. (FIN-FSA 2018)

The Finnish Financial Supervisory Authority monitors or provides licenses to companies which are in the money transfer service businesses. No-one is permitted to open any financial services, if they do not have the license, whether it is money transfer or remittance or everything under financial business. These regulations are applicable for all six companies considered during this research. In addition to the regulations put in place by the Finnish government, one of the company's interviewed follows the regulations of the Financial Conduct Authority whose operations are in line with the British law of remittances. These companies are expected to strictly adhere to these regulations in all their operations.

6.6 Challenges faced by money transfer companies in Somalia

This section presents the various challenges faced by companies operating remittance services to Somalia. One of the major challenges faced is the perception of remittance businesses as a means of sponsoring terrorism by foreign bodies. One of the interviewees went on to explain

Regardless of what system is used, there are always risks related to money transfer but in my opinion Hawalas risks are not higher than other remittance systems. In addition to that Hawalas operate in remote areas where conventional money transfer companies cannot reach. Hawalas are a lifeline to many Somalis who could not survive otherwise. In particular those living in rural areas are vulnerable and therefore at risk of being recruited by terrorists unless they get other source of income. Because of this, Hawala can be seen as important factor contributing stability of the country.

The claim of money transfer being a source of funding for terrorists was strongly refuted by some interviewees. One of the interviewees explains

According to my experience I know that terrorists avoid anything that is traceable that requires individual information, they also don't want to leave any information that can lead to trace them. In our remittance work we even need to measure or identify the facial expressions of the customers for suspicious activities or asking more questions about his money. In the cases of uncertainty, we have to report to the compliance office for investigation or further clarification. So, I can say terrorists can't send money through the licensed agencies who have strict rules.

Some consider it a propaganda from Western media though it is undeniable that terrorists are a global problem that put financial institutions into risk or be suspected.

One of the companies interviewed has taken measures to prevent the use of their operations by terrorists. The system has been programmed to monitor any illegal activity. It rejects if it finds names or areas

which it suspects such as the UN sanction list or Political Exposed Persons (PEP) list. It is programmed so nothing illegal can happen that can cause disagreements with the banks or between operators.

The staff of one of the companies expressed that a decade ago, it was difficult to know whether money transfers were used for terrorism funding. He added that significant progress has been made. Many restrictions have been made in that regard and it is almost impossible to use this system as a terrorism funding nowadays.

6.7 Other challenges faced by remittance companies

Apart from the challenges associated with money transfer agencies perceived as a source of funding for terrorists, the interviews revealed other challenges faced by these companies. The main challenges identified was a limitation of available cash, lack of reliable government and necessary documentations. This is usually faced by young money transfer companies. One of the interviewees stated that another major challenge they face is the financial status of some customers.

Although we have to ask customers for additional information to comply our Know Your Customer rules there might be some suspects from customers that we work with security or police officers. Other challenges included some of our customers are jobless and want to send small amount of money to their families. So, they ask if there will be a problem from social officers for sending this money since this little money was also given by the government.

Another includes challenges when sending money to some people in need that reside in remote areas. For example, in war-torn countries like Somalia. Also, there is the challenge of a lack of co-operation between remittance companies which makes it more difficult for some to receive them.

Also, the misconception about the Hawala has led to a situation where banks do not open accounts for Hawaladers. In addition, there are some challenges such as technology, for instance, elderly people cannot use the online system, so they prefer to follow the old system. So, the main challenges apart from lack of security is lack of cooperation, and technology. It is however worth noting, that despite these challenges identified, these remittance companies always try to minimize the risk and serve customers.

6.8 Strategies to make money transfer safer

Companies sending money to Somalia have put in place several strategies to make money transfer safer and more convenient for the customers and for the company as well. These strategies vary from scheduled staff training on the regulations and safe operation of money transfer, to the non-implementation of very strict or rigid rules that can scare away customers. One of the interviewees went on to explain:

I would say Hawalas are already safe, but there are always areas to improve such as know-how of the agent's skills. Hawalas operating according to minimum regulations should be supported both nationally and internationally. Unnecessary scrutiny can drive legitimate hawalas out of business while underground hawalas can flourish.

There is also the modern use of bank recognition methods where once a customer's details are entered, their financial details can be accessed for confirmation;

Remittances' safety is going to be strict day after day. And though for sending money through western union or other money transfer agencies can differ every company must ensure the safety. In the past few years there was no need to copy or ask customer ID or passport and asking more questions, but now the most significant job we do as agencies is clarification and making sure there are no errors otherwise our licenses will be cancelled and there will be some penalties or in severe cases jailed. The current modern technology has simplified the money sending by using methods like bank recognition. We still believe there is a room for improvement in some areas, but the current system is reliable and secure.

All six companies believe that following the current regulations carefully will ensure safety of the system.

6.9 Opinions on the future of remittance services

In any business endeavor, the question of sustainability and continuity of business is very important. It is for this reason that the researcher included the aspect investigating future prospects for remittance companies. Interviewees were asked to express their views on what they think about the relevance and continuity of the use of remittance services in the future. Their responses were similar. They believe that Hawalas will evolve into more international banking system. But Hawala operations will never disappear. It is also very likely to have a hybrid Bank-Hawala system. They also noted that current

technological innovations money transfer services are becoming increasingly digitized and more widely used. As long as there will be movement and migration to new areas, there will be a need for money transfer.

7. RECOMMENDATIONS

The research findings showed that Transfer Galaxy operates an online platform through which it serves its customers, however, there are customers who find it difficult to use the online systems because they are not familiar with modern technology. These include the elderly, whom are the most active senders. By operating a strictly online money transfer system, Transfer Galaxy limits its number of customers. Therefore, the company should expand its customer base by including money transfer points where such customers can do transactions at a physical money transfer agency using the traditional method of filling forms. This system is also widely used by Western Union successfully.

In addition, creating physical transfer terminals can also help with security issues if the agents are trained to ask random questions to the customers coming to do money transfer. These questions will provide further information for verification of whether or not the transaction is acceptable. The agents should also be regularly updated with the changes in security regulations.

Based on data obtained from the interview, one of the challenges faced by Transfer Galaxy is the difficulty of sending money to war-thorn areas where there are no fixed money transfer agencies. To resolve this problem, Transfer Galaxy can engage in a safe system that integrates Hawala into its operations. Dahabshiil and Amal Express make use of Hawala which is a more flexible system of operating money transfer that is also easy to set up.

Also, to expand the scope of its activities and customer base without facing the challenge of liquidity problems or a limitation of cash, Transfer Galaxy should seek to secure good partnerships with more established money transfer or banking companies in other areas of the world where a reasonable population Somalis are located.

Again, given that Transfer Galaxy faces competition from institutions like Taaj money transfer and Dahabshiil, it should be able to set up its own banking institution in Somalia. As at now, Transfer Galaxy depends on other banks to finalize monetary transaction with its customers. It should be able to create accounts for its customers, offers them credit and debit cards and enable them carry out monetary transactions.

Moreover, Transfer Galaxy should conceive an expansion policy. So far, all the company is only focused on overcoming the difficulties of money transfer to Somalia. Other East African countries are said to face similar challenges. This presents a good opportunity for the company, not only to be firmly established in Somalia, but also to expand to neighboring countries.

8. CONCLUSIONS

This thesis examined the challenges faced in money transfer to Somalia and how to overcome them. The main aim of the work was to study the methods used to tackle the problems of money transfer to Somalia. This aim was split into several objectives which were to identify the various means of money transfer to Somalia, investigate the difficulties faced by the transfer agencies and to propose better or more suitable and safe methods of carrying out smooth transactions.

The concepts and theories used in this work are those that are related to remittance. They were obtained from the work of others, available documentation, e-books and material from reliable online sources. These concepts and theories explored the trends, current situation and difficulties associated with money transfer.

Qualitative methods were employed for data collection, precisely the use of interviews. The Commissioner, Transfer Galaxy, was interviewed along with five other remittance companies which are, Western union, Amal Express, Dahabshiil, Guulpay Company, and Taaj Money Transfer. The staff selected for the interviews had between four years to twelve years of work experience in the remittance sector.

The remittance business in Somalia has indeed played a critical role in boosting the economy in a country where the influence of the state has been limited (Ibrahim 2018). In a country where an effective banking and financial regulatory system is yet to be established, remittances create a colossal contribution to reducing poverty and funding economic development. They act not only as remittance companies but mediums for trade and quasi banking transactions.

The results obtained from the interviews showed, that money transfer operators transfer money from several other countries to Somalia. These transfers are mainly done by Somali in the diaspora and are mostly carried out in the beginning and end of the month after salaries are received. Money transfer operations are carried out on both offline at physical counters, and through online platforms and follow the regulations set by the EU and the Finnish Financial Supervisory Authority.

The interview results also showed that, though a lucrative business, the money transfer business is faced with several challenges ranging from security concerns, problems of lack of cooperation amongst money transfer agencies, difficulty faced by elderly customers in adapting to the modern use of online platforms, problems of insufficient liquidity to execute large transactions and the lack of necessary documentation to operate.

The perception of individuals concerning remittance companies has also been seen to play a vital role in the growth of remittance companies, especially where there is a negative perception of remittance as a way of sponsoring terrorism. In fact, according to Staff (2018) the business is a very sophisticated one which must overcome everyday technical, regulatory, security, cultural, institutional, logistical and managerial challenges in an environment which is not hospitable.

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Appendix

1. How long have you been in the remittance business?
2. How often are your services used?
3. In what ways is remittance different from normal money transfer services?
4. what are the security measures that you take? For example, the name of the remitter, the source and the use of the remittance money?
5. what are the regulations from an international body that regulates remittance?
6. what are the regulations from the Finnish government that regulate your activity?
7. Remittance has often been seen as a way of sponsoring terrorism by foreign bodies. How true is that?
8. How do you think remittance can be safer?
9. Apart from security measures. What challenges do you face in your business?
10. Do you think remittance will be needed in future?